

Assembly Bill No. 2505

CHAPTER 821

An act to amend Section 14837 of the Government Code, relating to state contracts.

[Approved by Governor September 24, 1998. Filed with Secretary of State September 25, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2505, Olberg. State contracts.

The Small Business Procurement and Contract Act requires the Director of General Services and the directors of other state agencies to perform various activities to assist small businesses to participate in state contracts. "Small business" is defined for these purposes as a business in which the principal office is located in California and the officers of the business are domiciled in California, which is independently owned and operated, and which is not dominant in its field of operation. The director is authorized to use various criteria in making a detailed definition under these provisions.

This bill would additionally specify that a "small business," within this definition, has 100 or fewer employees, and average annual gross receipts of \$10,000,000 or less over the previous three years or is a manufacturer, as defined, with 100 or fewer employees. It would require that standards adopted by the director preclude the qualification of businesses that are dominant in their industry. It would revise the criteria to be used by the director in defining the term "small business," and require that standards applied in the definition be adopted by regulation.

The people of the State of California do enact as follows:

SECTION 1. Section 14837 of the Government Code is amended to read:

14837. As used in this chapter:

(a) "Department" means the Department of General Services.

(b) "Director" means the Director of General Services.

(c) "Manufacturer" means a business that is both of the following:

(1) Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.

(2) Classified between Codes 2000 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(d) (1) “Small business” means an independently owned and operated business, which is not dominant in its field of operation, the principal office of which is located in California, the officers of which are domiciled in California, and which, together with affiliates, has 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or is a manufacturer, as defined in subdivision (c), with 100 or fewer employees.

(2) The director shall conduct a biennial review of the average annual gross receipt level specified in this subdivision and may adjust that level to reflect changes in the California Consumer Price Index for all items. To reflect unique variations or characteristics of different industries, the director may establish, to the extent necessary, higher qualifying standards than those specified in this subdivision, or alternative standards based on other applicable criteria.

(3) Standards applied under this subdivision shall be established by regulation, in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1, and shall preclude the qualification of businesses that are dominant in their industry.

